

28 October 1960

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Mr. Hugh S. Conway, Jr.
Director of Intelligence and Research
Department of State

Dear Hugh:

I have your letter of October 25 asking for intelligence on the economic vulnerability of the Soviet Zone of Germany for Foy Kohler. I believe the best way to handle this is to ask Otto Outhe to undertake it as a project of the Economic Intelligence Community. I realize that considerable work on this has been done and so would expect that a fairly expeditious job could be done of coordinating a definitive study through the EIC.

You are probably aware that my opposite number in the [redacted] arrives here next week. I shall endeavor without disclosing the Department's interest to enlist a contribution from that organization.

Sincerely,

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Robert A. Mory, Jr.

Distribution:

- Original and 1 - Addressee
1 - Dr. Outhe (for appropriate action)
✓ 1 - ER (via [redacted])
2 - O/DD/T

28 October 1960
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State Department review completed

DEPARTMENT OF STATE
THE DIRECTOR OF INTELLIGENCE AND RESEARCH
WASHINGTON

OCT 25 1960

Dear Allen:

Foy Kohler has raised with me an important question concerning available intelligence on the economic vulnerability of the Soviet Zone of Germany. He notes that recent developments concerning Berlin have focused attention on the economic vulnerability of the Zone to various types of Western countermeasures, and he mentions in this regard questions such as the reliance of the GDR on the importation of certain types of chemicals, the significance to the Soviet Zone economy of steel sheet and the extent to which Free World nations may have extended financial credits to the Zone. In obtaining answers to such questions on a spot basis, valuable assistance has, of course, already been rendered by members of your staff in cooperation with INR.

At the same time, Foy asks whether the intelligence community would consider instituting careful examination of the economic structure of the Soviet Zone with a view to determining the areas of greatest vulnerability to any action on our part. This would involve assessment of all industrial branches with the idea of establishing those areas where denial of exports to the Zone, for example, would have the greatest effect. Such analyses would complement the activities being undertaken on a four power basis in Bonn and would enable the Department to assess more accurately the range of possibilities for economic countermeasures which are now open or would be at some future date.

A project aimed at a systematic response to Foy's suggestion would necessarily fall largely on those members of your

staff

The Honorable
Allen W. Dulles,
Director of Central Intelligence.

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staff responsible for economic research on the Soviet Zone. As I indicated earlier, they have already provided valuable information in answer to spot queries from the Department, and I hope a more comprehensive approach to the problem is feasible. My people here in INR who work on the Soviet Zone would, of course, be pleased to collaborate on this project in any useful manner despite the fact that we have, as you know, a very limited economic capability in this field.

I should appreciate your views as to how we might provide Foy with the assistance he seeks.

Sincerely yours,



Hugh S. Cumming, Jr.

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